

Reward crowdfunding campaign in IndieGoGo for Fyggex Oy

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<p>In summer 2020, Fyggex Oy started to research about alternative methods for capital raising. For that, they opened a vacancy as thesis worker, which I filled in. I joined the company in Nov 2020. My role was in the finance department as a <i>finance research analyst intern</i>.</p> <p>Fyggex is a broadcast media company in the field of cryptocurrency and blockchain that operates worldwide. The firm's purpose is to bring transparency to the crypto industry with serious journalism and featured expert interviews.</p> <p>The company's main product is its online community. Fyggex will launch in 2021 its own platform. By paying a membership fee, internet users will have access to a private community, where they can share knowledge and insights about crypto and blockchain. The format of this platform resembles that of a regular social media, such as LinkedIn or Quora. In a sense, Fyggex private community is enabling industry enthusiast to create and share UGC (User Generated Content).</p> <p>The topic of the thesis is to develop, manage and launch the first reward crowdfunding campaign for Fyggex Oy in Indiegogo, and help the company in its capital raising activities.</p> <p>Noteworthy, in this thesis I will be making the references with Harvard format.</p>	
Keywords Capital raising, crowdfunding, reward crowdfunding, fundraising, startups	

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1 Introduction

One of the main challenges when starting a company is ensuring a positive cash flow balance. Cash flow is the most important of the fundamentals for a startup because it links directly with the firm's liquidity (Bayley-Boyd, 2021). A healthy liquidity tells us whether a company can meet its financial obligations and carry on with its operational costs. Put simply, startups always need available cash in their bank accounts if they aim to survive the initial challenges.

To kick off with a positive cash flow balance, firms need to raise capital. Capital raising can take many forms (Launiainen, 2020), from offering the possibility to invest in equity to investors to acquiring debt from a bank and everything in between.

In this thesis, I am going to study how I managed and launched a crowdfunding campaign for Fyggex Oy (later on Fyggex) a startup based in Finland that operates in within the cryptocurrency sector. In doing so, I will analyze what other possibilities for capital raising were available for the company and why crowdfunding was the most attractive of them.

The online crowdfunding platform I will use is Indiegogo. To support the campaign, I will conduct a qualitative research based on interviews to experts in the cryptocurrency industry.

1.1 Objectives

Goals for this thesis are as follows:

- 1) Studying what are the feasible options for raising capital in accordance with Fyggex's resources at the moment of the commissioning.
- 2) Drafting an operational budget for the period 2021.
- 3) Studying Indiegogo's platform and design a crowdfunding campaign for 2021.
- 4) Launching the crowdfunding campaign in Q1 2021.

1.2 Commissioning party background

Company

Fyggex Oy is a broadcast media company in the field of cryptocurrency and blockchain that operates worldwide (Fyggex, 2020). The firm's purpose is to bring transparency to the crypto industry with serious journalism and featured expert interviews.

The company's main product is its online community. Fyggex will launch in 2021 its own social platform. By paying a membership fee, internet users will have access to a private community, where they can share knowledge and insights about crypto and blockchain.

The format of this platform resembles that of a regular social media, such as LinkedIn, Facebook or Quora. In a sense, Fyggex private community is enabling industry enthusiasts to create and share UGC (User Generated Content).

The company operates remotely. To verify the firm's legitimacy, I present its legal information in the country of Finland:

Fyggex Oy

Y-tunnus: 2980943-6

Address: Perämiehenkatu 15 B 16, 00150, Helsinki

Project

In summer 2020, Fyggex Oy started to research about alternative methods for capital raising. For that they opened a vacancy for a thesis worker position which I filled in. I joined the company as a thesis worker in November 2020. My role was in the finance department as a finance research analyst intern. My contractual commitment with Fyggex would last from November 2020 to February 2021, for a total of 4 months.

Although the final goal was to design, manage and launch an online crowdfunding campaign, my responsibilities in the company included:

- 1) Industry research in the cryptocurrency sector.
- 2) Writing content for the Fyggex community (4 articles).
- 3) Interviewing crypto industry experts (4 interviews).
- 4) Drafting an operational budget for 2021.
- 5) Collaborate in applications for public grants in matters of funding.
- 6) Collaborate in registering new share emissions and allocating them into not restrictive equity funds.
- 7) Creating the company's PayPal accounts.
- 8) Manage the company's LinkedIn page.
- 9) Network in LinkedIn and Twitter to find potential leads to interview.
- 10) Research and find the right online platform for the crowdfunding campaign.

All these tasks complemented and built the knowledgeable foundation for me to design and launch the final crowdfunding campaign in Indiegogo.

1.3 Method

For this project I utilized two main methods of research.

Desk Research

Majority of the research was purely done by reading materials online in specialized industry websites.

Qualitative research

To complement my findings, I conducted 4 semi-structured interviews.

Interviewees are knowledgeable figures in the cryptocurrency scene. In order of appearance, they were:

- 1) Tey El-Rjula. Founder of fluus.me. Lebanon.
- 2) David Gerard. Crypto journalist and published author. UK.
- 3) James J. Angel. Associate Professor at Georgetown University's McDonough School of Business. USA.
- 4) Heidi Hurskainen. CEO at Coinmotion. Finland.

All the interviews have been published in the Fyggex portal between December 2020 and January 2021.

1.4 Key definitions

Capital raising.

“Relating to the actions that a company takes in order to find new capital to finance its activities” (Cambridge Dictionary, 2021). There are two major forms of capital: equity and debt (Boyte-White, 2021).

In this work, I will use *capital raising* or *raising capital* interchangeably. At all times I will be referring to the Cambridge definition.

Equity or equity capital.

It is the “collection of all outstanding shares of a corporation” (DeMarzo & Berk, 2017, p. 37). A common practice for companies is to give away a portion of the firm’s equity to investors in exchange for capital, thus, acquiring funds. This is called share issue or share emission.

Debt or debt capital.

Capital acquired through loans (usually from banks) or by issuing corporate bonds (Boyte-White, 2021). Also called liabilities.

Working capital

It is the difference of current assets and current liabilities (DeMarzo & Berk, 2017, p. 60). Current assets often refer to accounts receivable (what it is owed to the company, inventory, and prepaid expenses) or existing cash in bank. Current liabilities include accounts payable (what the company owes) or accrued expenses.

Liquidity

Liquidity refers to “how quickly a business can convert a particular asset into cash” (Mladjenovic, 2006, p. 19). Put simply, a company with a healthy liquidity has access to cash to meet imminent financial obligations. Accounts receivable or cash in bank are liquid assets. For instance, a company building is an illiquid asset because it is not easy and/or fast to *cash it* for money.

Investors usually put corporate liquidity under scrutiny because it tells whether the company will keep operating and whether it is worth investing in it (Bayley-Boyd, 2021).

Crowdfunding

“It is the use of small amounts of capital from a large number of individuals to finance a new business venture” (James & Smith, 2021).

IndieGoGo

Web platform utilized by entrepreneurs, startups, and non-profit organizations to raise funds through reward crowdfunding campaigns online (Indigogo, 2021).

Backers

In Indiegogo, the term used to name the campaign supporters is *backer*. Notice that, in this case, backers are not investors, as they do not invest money in the business. They often are passionate about the business idea, concept or project and wish to collaborate

financially with it. Unlike donors, backers get perks in return for their monetary contribution.

Perks

“Perks are incentives offered to backers in exchange for their support” (Indigogo, 2021).

1.5 Limitations and risks

The project limitations and risks link directly with the resources available. The biggest conditionings are the lack of time, experience, and financial resources. This reward crowdfunding project is an ambitious one. Regardless of the result, knowing the limitations and risks of carrying on with this activity at this stage, will give to the company valuable knowledge for future capital raising activities. Table 1 presents some of the drawbacks that could jeopardize the campaign launch and their mitigation strategies.

Table 1. Project risk matrix

Risks	Probability of happening			Mitigation plan
	Un-likely	Normal	Likely	
Interviewee not replying properly		X		Interviewing more than a lead to gather more data
Not enough time			X	Have more than a campaign manager
Small budget			X	Focus on reward crowdfunding
Not enough staff		X		Involve everyone in the team in the campaign
Overfunding	X			Set a maximum number of perks to deliver in advance
Underfunding		X		Owners continue to bootstrap with own capital
Campaign launch delay		X		Have more than a campaign manager
Lack of fundraising experience			X	Interviewing experts on the field

Firstly, the project timeframe for the research, design and implementation is short. Capital raising can be a long process. For instance, to create a promotional campaign strategy that fits the marketing plan and raises the company online presence, may take many months. Our efforts had to materialize in within 12 to 16 weeks. This is not impossible but brings an extra level of difficulty to the project.

Secondly, the startup resources are small. Naturally, budget allocation for crowdfunding and promotional activities is far less affluent than that of an already consolidated company. Similarly, the amount of people directly involved is a challenge itself because many have to integrate assisting me with other duties in within the company. Put simply, the firm may have not enough staff. This is why, when creating the campaign profile in Indiegogo, I will enable several campaign managers.

Lastly, I must remark the following limitations during my involvement in this project.

- 1) I do not handle the results of the campaign. The company does. My duties extend to design and provide a possible implementation campaign plan with the aim of launching it.
- 2) I have limited my activities to capital raising theory. More precisely in the area of crowdfunding. Therefore, the marketing related theory is engulfed in the existing company marketing plan.

2 Theoretical Framework

Before jumping into why Fyggex chose online crowdfunding as the main method to raise capital, I will discuss into more detail the different forms that companies have available to seek funding. The aim is to study their pros and cons to showcase against the company's resources in following chapters.

When designing the campaign, I will utilize aspects and features of diverse capital raising methods. Noteworthy, that I will also introduce some new and non-traditional methods, such as digital tokens and ICOs.

2.1 Debt capital

2.1.1 Bank loans.

Most traditional startups rely on bank loans to start their business (Cumming & Hornuf, 2018, p. 12). Acquiring long term loans is not a problem itself if the company remains solvent. Put simply, if a company has more assets than liabilities, loans are a healthy option to finance operations. The challenge is that startups do not have assets in excess because they are, once again, beginning business.

A trustworthy way to assess the financial health of a business is to calculate its solvency ratios. "Solvency ratios measure the degree of debt financing of an enterprise and are partial indicators of its ability to meet long-term obligations" (Schmidgall, 2006, p. 211). In other words, these ratios, will tell us how likely a company can cover losses using its equity. The following formulas show the commonest ratios utilized (Schmidgall, 2006, p. 212):

$$\text{Solvency ratio} = \frac{\text{total assets}}{\text{total liabilities}}$$

$$\text{Debt to equity ratio} = \frac{\text{total liabilities}}{\text{total owner's equity}}$$

The first ratio tells how many euros of equity a company has per each euro of liabilities. For example, if the Solvency Ratio is 1,5, it means that there is a cushion of 50 cents after covering each euro of debt. The greater this ratio the better. On the other hand, the debt-to-equity ratio compares the company's debt to its net worth. In this case, the lower the figure the better.

While acquiring debt increases rapidly a company's liquidity, it is not ideal for a startup because it compromises its solvency, as one can see from the formulas. Furthermore, debt creditors have a set of requirements for firms to qualify for a loan. One of those requirements is to have a strong collateral that endorses the firm's loan application.

Collateral acts as a "deposit payment" or loan endorsement. In the case that a business defaults on the payment of its liabilities, the debt holder, often corporate banks, will take away its collateral. Usually, business use their assets as form of collateral, which poses an inconvenience for startups because, once again, they do not have assets in excess. This is the reason why they may not qualify for a loan in the first place.

Companies that get funding with debt, must pay interest on top of the principal they borrowed. This is called cost of debt. The structure of the loan repayment varies according to the agreement. Businesses mostly withdraw loans with equal principal payments and interest on top of that. That means that the total debt service payment is greater at the beginning and will decrease after every installment. On the other hand, loan repayments can happen in equal amounts that consist in a higher interest expense at first with a lower principal payment. This refers to annuity loans, a principle shown in Figure 1.

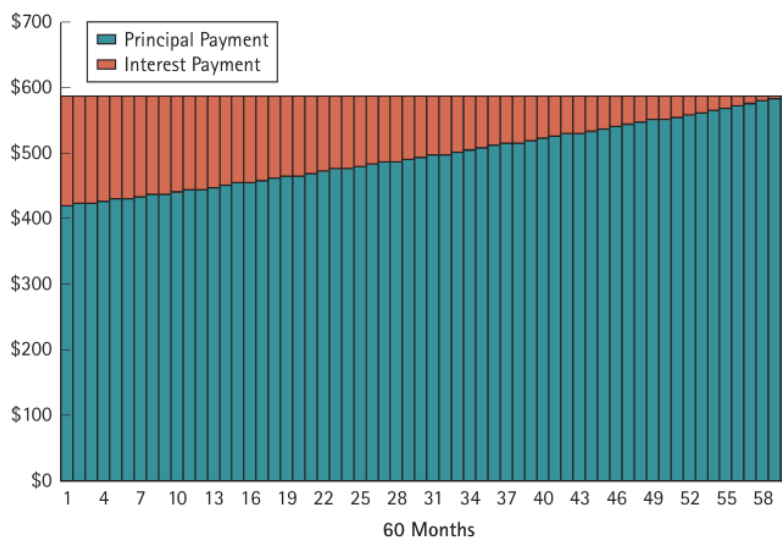


Figure 1. Interest (red) and principal portions (turquoise) of a monthly payment on a \$30k loan in 60 installments (Berk, et al., 2012, p. 125)

2.1.2 Bonds

To raise capital, companies can also issue debt. This is called a bond. Investors can buy this debt with the promise that the company will pay a certain amount of money in a given

period (Launiainen, 2020, p. 8). Put simply, a bond is a loan between the company and the investor.

Often, to stimulate bond purchase, companies also pay coupons. A coupon is the promised interest payment until the maturity of the bond (DeMarzo & Berk, 2017, p. 206).

Bonds are an attractive form of financing, because the interest rate that companies pay to investors is usually smaller than that paid to banks (Smith, 2020). However, issuing bonds is a more complex process that requires a solid finance department and a business model that generates cash flow. Startups have less resources than consolidated firms, and thus, issuing bonds is not a common practice.

2.2 Equity capital

2.2.1 Company shares

The commonest practice for startups to raise funds is to offer pieces of ownership of the company, or shares, to investors. The collection of all the outstanding shares of a company is what we understand as equity. An owner of a share is called shareholder, stockholder, or equity holder (DeMarzo & Berk, 2017, p. 37). During the time they own part of the company, shareholders have the right to participate in shareholders' meetings and part of the firm's profits, also called dividends.

Shareholders expect to see return from their investments that compensates them for the taken risk. In practice, this return materializes through dividend payments and/or capital gains once the investor sells the held shares. The following formula illustrates simply what investors could expect from a risky investment that is held during a year (DeMarzo & Berk, 2017, p. 120):

$$\textit{Expected return of a risky investment} = \frac{\textit{Expected gain at end of year}}{\textit{Initial cost}}$$

In this equation, gain includes the increase of the market value of the share plus the received dividends.

2.2.2 Investment rounds

Acquisition of this type of external funding happens through investment rounds. These phases refer to the action of raising capital coming from investors at different stages of the

startup life (Bates, 2017). Although there is not an infallible model that guarantees success, we can classify them into 5 different categories.

Pre-seed funding

Usually, the first ones to invest in a startup are friends, family or entrepreneurs who put their own savings into their business. This stage allows the company to start operations (Reiff, 2020).

Seed funding

It is the first official investment round of the company. The funds acquired in this phase allow the company to hire employees to define, develop and sell the business products & services. Those who acquire equity to support the company at this early stage can be founders, friends and family, venture capitalists, incubators, accelerators, or angel investors. The latest tend to invest in startups regardless of how feasible they are. Hence, the name (Ganti, 2020). Incubators and accelerators are companies seeking for investment opportunities that have the potential of being *the next big thing*.

Series A, B and C funding

They follow chronologically the expansion of the company. While stage A links with the company consolidation, B and C correlate with the firm's expansion, whether internally by creating new products or by taking the existing business model to other markets. The latest series often count with the participation of bigger financial institutions with greater cash inflows. Table 2 puts into perspective the amounts of capital that are raised in average in the USA in each round (Smith, 2021).

Table 2. Avg. capital raised and typical investors per round category in the USA.

Round	Avg. capital raised in \$	Typical investors
Pre - seed	Variable	Founders, F&F
Seed	\$10000 - \$2 million	Founders, F&F, incubators, venture capitalists, angel investors
Series A	\$2 million - \$15 million	Venture capital firms
Series B	\$33 million	Venture capital firms
Series C	\$118 million	Hedge fund, private equity firms

All these investment activities happen in within a private framework, whether from individuals or firms. However, a business can decide to go public and offer its equity to retail investors too, so anybody could become a shareholder. To do so, the company must undergo an Initial Public Offering, or IPO, and get registered in a Stock Exchange Market. Needless to say, that enterprises must meet a great set of requirements if they wish to go public.

Regardless of the step at which a company is, raising equity capital is a very regulated activity and it can take an enormous amount of time and effort. Therefore, startups should seek funding first from incubator and accelerator firms, or angel investors willing to invest in their business idea. Incubators are organizations that help startups by providing needed services to get started, such as marketing tools. Accelerators constitute the next step to incubators, and they often provide working capital so that the startup can stand on its feet (Rai, 2020).

2.2.3 Tokenization of equity

In the last decade, the appearance of cryptocurrencies challenged the world of finance as we know it. Terms as DeFi (Decentralized Finance), Blockchain, Bitcoin, or ICO (Initial Coin Offering) came into play when studying how to raise capital.

Cryptocurrency is a form of decentralized digital money designed to be used over the internet. The most known one is Bitcoin, launched in 2008. The way cryptos work is through blockchain technology. Without entering in the technical aspect, “blockchain is a list of transactions that anyone can view and verify” (Coinbase, 2021). It is a database stored electronically across many different computers around the world, meaning that it does not have a central server from which it operates. Hence, the DeFi concept. Once a transaction has been approved in the blockchain, it cannot be reverted.

To discuss how blockchain technology works is a thesis topic itself. However, what is important to us is to understand that assets can be digitalized and tokenized in the blockchain platform.

“The tokenization of an existing asset refers to the process of creating a tokenized digital twin for any physical object or financial asset. The token hereby represents the physical counterpart, collectively managed by a distributed ledger. “Asset token” is a general term that can include any assets, such as commodities, artwork, real estate, or securities. “Security tokens” are a specific type of asset tokens that are

classified as securities under financial market regulations. The interpretation of what constitutes a security, however, is subject to local legislation.”
(Voshmgir, 2020)

In recent years, many companies utilized tokenization of equity for raising capital through ICOs, taking advantage of the emerging technology trend and the regulatory gap of what constitutes a security token.

“Tokens are representations of an asset or utility in the blockchain. The tokens are fungible and tradeable. They should not be confused with cryptocurrencies because the tokens are just modifications of existing cryptocurrencies. Unlike stocks, the tokens generally do not provide an equity stake in a company. Instead, most of the tokens deliver their owners some stake in a product or service created by the company.”
(Corporate Finance Institute, 2021)

Therefore, ICOs are to digital assets what IPOs are to stocks: an event where corporate securities are offered to retail investors. Only that this time around we are referring to tokenized ones.

This form of raising capital has its inherent risks. Perhaps, the most notorious one is the regulation of cryptos and asset tokens. Since these financial instruments are very new, many countries do not have the right regulations in place. In fact, there are parts of the world where ICOs are forbidden, like for example China (Jones, 2017).

Tokenization of equity is an exciting topic because it disrupts the traditional concept of raising capital and brings something new to the table. However, before doing an ICO, a company should study whether it makes sense to tokenize assets or not (Hurskainen, 2021).

2.3 WACC

Every company at some point has a mix of equity and debt capital to finance operations. Therefore, it is important to introduce the term of Weighted Average Cost of Capital or WACC.

What comes to corporate debt, we already established that borrowing funds comes with a cost called interest expense. It refers to the interest rate that a company needs to pay to its creditors in compensation for the borrowed principal. For example, a rate of 3 % roughly means that every borrowed euro cost 3 cents per year.

Interest expense is a short-term liability, and it is tax deductible. Therefore, we need to take into consideration an *Effective after-tax interest rate* if we wish to know how much does borrowed money actually cost. For that we discount the corporate tax rate in our calculations as shown in the following formula (DeMarzo & Berk, 2017, p. 459).

$$\text{Effective after tax interest rate} = r_d * (1 - r_c)$$

Where:

r_d = loan interest rate

r_c = corporate tax rate

Similarly, when addressing equity capital, we talk about cost of equity. This rate is the expected return to equity owners as roughly shown in subchapter 2.2.1. For convenience, I am going to denote cost of equity with r_e .

If we consider the percentage of the business financed by equity and debt and their respective costs, we can calculate the effective after-tax cost of capital of the firm or WACC. The following formula illustrates how it is done arithmetically (DeMarzo & Berk, 2017, p. 459):

$$r_{wacc} = \frac{E}{E + D} r_e + \frac{D}{E + D} r_d * (1 - r_c)$$

Where:

E = Equity

D = Debt

To simplify definitions, r_{wacc} is the needed return the company needs to make to cover the money owed to investors and debt holders.

The reason why we include WACC in this study is because it is important for capital budgeting and investment planning. If a company wishes to acquire extra assets or develop a new project, WACC is used to assess whether a company should fund it (Apruve, 2021). For example, if the project return were smaller than the company's WACC, the project should not be done.

2.4 Public funds and grants

Many governments across the world support new entrepreneurs and new companies by giving access to public funds in the form of grants. In Finland, “the purpose of startup grant is to encourage new business and promote employment” (TE-Palvelut, 2021).

2.4.1 Advantages

In Finland, applying for a startup grant is a feasible option because of their accessibility. Nevertheless, companies must fulfil a set of requirements and conditions if they wish to be entitled to them.

Preconditions for receiving the grant include:

- Being a full-time entrepreneur.
- having adequate capabilities for the intended business.
- having potential for continued profitable operation.
- the grant is necessary for the entrepreneur's survival.
- the business is only started after the grant has been awarded.

(TE-Palvelut, 2021)

Although the initial temptation is to regard startup grants as *free money*, that is not what public institutions have in mind.

Countries finance themselves by taxing their citizens, residents, companies, etc. A business that has a profitable model must pay income tax, which in Finland is 20% for corporate bodies such as LTDs or PLCs (VERO, 2021). This constitutes an ideal situation of *win-win* arrangement: startups get funding that helps to begin operations and ultimately that money goes back to the treasury of the state in the form of taxes. Put simply, to certain degree, governments invest in new business that will eventually pay tax in their country.

2.4.2 Disadvantages

Meeting the requirements

Startup owners may build their models to fit the grant conditions, changing drastically their original business plans. This can affect to the way they design their products and services, altering the value proposition of the firm.

For example, this may be the case with the EU funding programs. In this instance, one of the requirements is that the company is interesting for the EU (Your Europe, 2021). New business will aim to change their concept to make themselves *appealing* to the institution

in question, so they can qualify for the funds. This is a problem because their focus will be on developing a different model of what they originally had.

Cash availability

Grants can be given up front or paid afterwards. The latter refers to the financial help which is allocated for materials or certain type of corporate expense. A common example is tech equipment to run the business. The common practice is that the business buys first the materials with its own cash and then claims the *grant coverage*. Put simple, there are strings attached to the funds a startup has access to (Society for nonprofits, 2020).

As we discussed, startups need a strong liquidity from the beginning if they aim to survive. Hence, grants paid later in the timeline are not likely to help business to take off.

Applying is a slow process

The application process is long and comprehensive. This is because “public funds need to be used carefully” (Kemp, 2016) and institutions must assess whether the business is feasible. The inherent risk with this is that of cash availability. Startups may not receive the grant at the time they need it, or even not receive at all if their application is declined.

In conclusion, startups can apply for as many grants as they can possibly qualify for. However, this form of funding, while crucial for many, has its own set of drawbacks that restrict its availability.

2.5 Crowdfunding.

“It is the use of small amounts of capital from a large number of individuals to finance a new business venture” (James & Smith, 2021). It is a practice widely used by many companies because of its simplicity and scalability. In fact, the internet has enabled new forms of online crowdfunding, making capital raising more available to the new entrepreneur.

Crowdfunding can be classified into four different categories (SEEDRS, 2021): equity, debt, donation, and reward.

2.5.1 Crowdfunding categories

Equity and debt

Equity and debt crowdfunding are respectively included in the equity and debt capital of the company. In these cases, a large group of individuals make a small contribution in exchange of company's equity or debt.

This has some resemblance to the investment rounds and issuing bonds explained in sub-chapters 2.1.2 and 2.2.2. However, it has its own section because of the nature in which the contributions are made. They often are smaller and done through specific online portals where entrepreneurs can post business ideas and ask for capital in a less restrictive environment. In fact, "they allow startups to raise money without giving up control to capital investors" (Smith, 2021).

Donation

Donation crowdfunding is the act of giving money for a specific cause without expecting anything in return. Often non-profit and charitable organizations rely on this type of funds to keep operations running (Fritz, 2019).

Reward

This type of crowdfunding enables people to endow financially a business or a project in exchange for a non-monetary reward or a perk (Kivikangas, 2014, p. 5). The nature of the reward is very diverse, and it varies. Usually, it consists in merchandise or the company's product before this sees the market. Kickstarter, Indiegogo or Patreon are among the most popular platforms that work with a reward crowdfunding approach (truust, 2020).

In the Fyggex commissioned project, I will use a reward crowdfunding type, designed, and launched in Indiegogo. Rewards will be described in chapter 3 of this thesis.

2.5.2 IndieGoGo

The way making a campaign works in Indiegogo is straight forward. Entrepreneurs register and build a strong company profile where they include a good pitch, videos, pictures, and information related to the perks and rewards. Additionally, they set a minimum amount of capital they wish to raise, a valid bank account and the time frame they want the campaign to run for. In Indiegogo, the maximum is 60 days. Platform users can see and assess if they want to support or *back* the project in exchange for a perk (Indigogo, 2021).

Similarly, companies should have a marketing plan to advertise the campaign once it launches, both in Social Media and other channels (Jules, 2020). Put simply, they need to convey the message of their product so potential *backers* know they can invest on it. For that a recommended practice is to display a marketing video as first touchpoint upon campaign display, as shown in Figure 2.

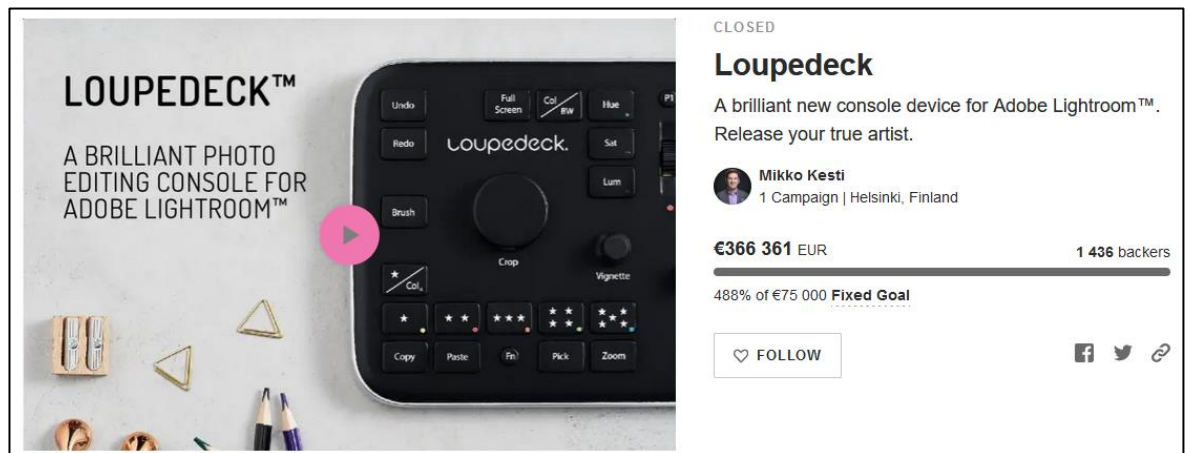


Figure 2. Example of an Indiegogo reward crowdfunding campaign. Company is Finnish startup Loupedeck.

For this commissioning, I did not do a separate marketing plan because the company already has one designed by its marketing manager and team. Therefore, I took the existing plan and designed the campaign in a manner that it would be covered by it. Noteworthy that the firm's marketing manager would be actively present in meetings when designing the crowdfunding campaign.

2.5.3 Risks of reward crowdfunding

As with every financing activity, reward crowdfunding also carries inherent risks. Before launching a campaign, startups should be prepared for any potential drawbacks.

Launching the campaign too early

This links with the lack of research and preparation before the campaign begins. Understanding target markets, preparing proper sales pitches, or having logistics in place to deliver perks are some of the aspects to consider in the planification stage (MaRS Startup Toolkit, 2021).

Overfunding

Campaign managers tend to keep realistic and achievable milestones and often, they are unprepared for the success that yields excess of proceeds. Overfunding happens when a company collects more funds than they initially planned for. If a campaign is overfunded, startups may not have the means to deliver results to all their *backers* (Volna, 2019).

Underfunding

On the other hand, if a company falls short in its crowdfunding goals and does not meet the monetary target, we say it is underfunded. This is a risk because the corporate brand and image may suffer, making it look unattractive for future investors. Similarly, some crowdfunding platforms work with an *all or nothing* mechanism. This means that, if the minimum amount of funds is not met, the fundraiser does not get to keep anything (Smith, 2021).

Not meeting the platform rules

A crowdfunding campaign must always meet the platform rules, otherwise startups may have their campaigns suspended (MaRS Startup Toolkit, 2021). Often, if conditions are ignored, is because a human mistake and neglect. Nevertheless, a point to not miss.

2.6 Operational budgeting.

Companies need to determine how much capital they need for starting operations. At a very early stage, to draft a budget for a startup can be extremely challenging due to lack of data. Entrepreneurs often ignore or simply not foresee all the costs that they need to begin operations. Even though, budgets can be adjusted on the go, startups need to know how much they must ask in their fundraising campaigns.

Budgets give answer to many variables, such as expected revenues, whether the pricing for services is enough, how much funds can a firm allocate to marketing or how many employees it is possible to have (Schmidgall, 2006, p. 445).

When budgeting, a healthy technique is to start with the basic costs. This gives a starting point to calculate the necessary revenue to break even. Costs can be classified into two major categories: fixed and variable. While fixed costs remain constant regardless of the company's sales volume, variable ones change proportionally with it (Schmidgall, 2006, pp. 266-267). Table 3 represents common fixed and variable costs that startups should have in mind (Brex, 2020).

Table 3. Example of fixed and variable costs for a startup

Fixed costs	Variable costs
Rent	Raw materials
Payroll	Advertising expenditure
Business insurance	Utilities
Website hosting	Equipment
Internet and phone services	Shipping costs & logistics
Bank fees	Freelance services

2.7 Behavioral finance

Investing behavior links directly with human emotions. “Emotions are important risk considerations because the main decision makers are human beings” (Mladjenovic, 2006, p. 53). In other words, if companies plan to raise capital successfully, they must understand investor intent, motivation, and behavior.

Behavioral finance explains the psychological factors, influences, biases, and stimulus that investors have when making investment activities (Launiainen, 2020, p. 17). It can be broken down into the following concepts: mental accounting, herd behavior, emotional gap, anchoring and self-attribution (Hayes & Estevez, 2021).

Mental accounting is when people allocate capital for certain purposes, for instance retirement. Herd behavior links with the tendency of investors to copy what the majority are doing. Emotional gap explains decision-making made under the effect of strong emotions, such as anxiety, love, or fear. Anchoring is a cognitive bias by which people attach investment decisions to a certain reference, for example, somebody who only buys penny stocks. Lastly, self-attribution refers to decisions made with overconfidence due to knowledge on the field (Hayes & Estevez, 2021).

The reason why people invest is to gain a profit and build wealth to meet their personal financial goals (Ontario Securities Commission, 2018). Nevertheless, some of capital raising methods already covered do not give a monetary return to investors.

As described in subchapter 2.5, investors participating in a *reward crowdfunding* do not gain any equity stake in a company. Therefore, motivations behind campaign *backers* have a bigger emotional input than financial. For example, they like being part of the pro-

cess of product development, supporting a firm that does something they believe in, or being the first ones having the company's product before it reaches the market (Indigogo, 2019).

2.8 Regulatory framework in Finland for reward crowdfunding.

The legal Finnish definition of reward-based crowdfunding is as follows:

It refers to a fundraising campaign in which the donors receive compensation in exchange for their money, such as products, services, shares, memberships, or participating in an event. If no compensation is given to donors, you will need a fundraising permit from police.

(VERO, 2021)

“In Finland, the regulatory and supervisory authority of financial companies is called the Financial Supervisory Authority (FIN-FSA)” (Kettunen, 2016, p. 16). The regulatory framework for crowdfunding is collected in the Crowdfunding Act. Nevertheless, this Act “covers only loan-based and investment-based crowdfunding utilized to finance business activity” (Ministry of Finance, 2016). In the other hand, reward crowdfunding falls into the consumer protection acts (Alois, 2016).

The Consumer Protection Act, or *Kuluttajansuojlaki* in Finnish, is regulated by the Finnish Competition and Consumer Authority and it protects the rights of consumers in Finland (infoFinland.fi, 2021). Therefore, reward campaign backers fall into the category of consumers, which not investors. This means that if there were some litigations to follow the capital raising activities, backers will be regarded as buyers of goods and services.

From the company's perspective, “it is recommended that the treatment of reward-based crowdfunding to be entered into law as an e-commerce transaction pertaining to pre-sales of goods, and hence, liable to the relevant consumer protection rights, as well as taxation laws” (Nordic Crowdfunding Alliance, 2017, p. 3). In simpler words, funds obtained from reward-based crowdfunding campaigns are treated as taxable income in Finland. (VERO, 2021).

2.9 SWOT analysis theory

SWOT analysis represents the strengths, weaknesses, opportunities, and threats of a company from the point of view of the owner (Herrala, et al., 2011, p. i). Put simply, it is a

type of evaluation that helps business to identify what is their competitive advantage and where they stand against competitors.

Strengths are the company's core competences on which the business model should be based. Weaknesses refer to the aspects that the firm should improve. Opportunities are the openings that a business can grasp based on its strengths and weaknesses. Lastly, threats help to scrutinize the potential drawbacks that endanger the firm's operations, allowing the company to act with risk assessment and contingency plans (Visual Paradigm, 2020).

SWOT analysis may seem basic, but they are crucial because they provide a framework on which to build a business plan and strategy. They differ according to the size of the company. Hence, a SWOT analysis for a startup will look very different from that of an already established company. Figure 3, drafts a SWOT example for a new internet business.



Figure 3. SWOT Analysis example of an Internet Small Business Startup (Visual Paradigm, 2020)

When fundraising, it is imperative to be aware of the startup strengths and weaknesses. Investors value transparency (Parsons, 2020) and SWOT analysis will help to build a plan based on it. Therefore, the startup's message should be told in a clear manner with a *nothing-to-hide* approach that fits the framework provided by the analysis.

2.10 Digital Marketing in fundraising

Designing a campaign is the first part of the fundraising process. Marketing it, the second. Preparing a marketing strategy ahead of time is crucial for successful reward crowdfunding (Briggman, 2021). The following list shows some of the most fruitful marketing activities that pair well with Indiegogo campaigns (Crowdfunding PR, 2016).

- 1) Email marketing
- 2) Paid advertisements
- 3) Social Media marketing
- 4) Influencer marketing
- 5) Traditional PR

These strategies are very feasible and cost-efficient for every startup. Essentially, marketers aim to create and publish content related to the company's capital raising activities in every possible channel. The purpose is driving traffic to the business or campaign website. Online traffic refers to online users visiting the firm's webpage. It can be organic, such as the one coming from Social Media posts and Google Search Results, or paid, like Google AdWords and paid Social Media (O'Neill, 2020).

Notice the importance of having a follower base at this stage. For example, if a company has a solid business model but no followers in their social media profiles, or no emails to send this info to, it will have little to no effect. After all, the message would reach nobody, and the marketing efforts would be futile. Therefore, startups should put efforts on increasing their online exposure before creating a crowdfunding campaign (Crowdfunding PR, 2016).

Influencer marketing is a tactic to gain online presence for startups with small traction on the internet. According to Influencer Marketing Hub "influencer marketing involves a brand collaborating with an online influencer to market one of its products or services" (2021). Therefore, startups could pay a premium to access the influencer's network to convey the message of its capital raising activities.

The type of content that a startup must use in their marketing efforts needs to fit the specific channel. For example, videos and picture updates seems to raise more engagement in social media and therefore, they should be used to drive traffic (Briggman, 2021). Similarly, when writing articles, emails or the sales pitch for the campaign, the text should be evaluated by a copywriter. Copywriting is "the art and science of strategically crafting and

publishing targeted, reader focus words online that get people to take some form of action” (McCoy, 2016). Figure 4 illustrates the difference of a cold email written without copywritten skills as opposed to one properly done.

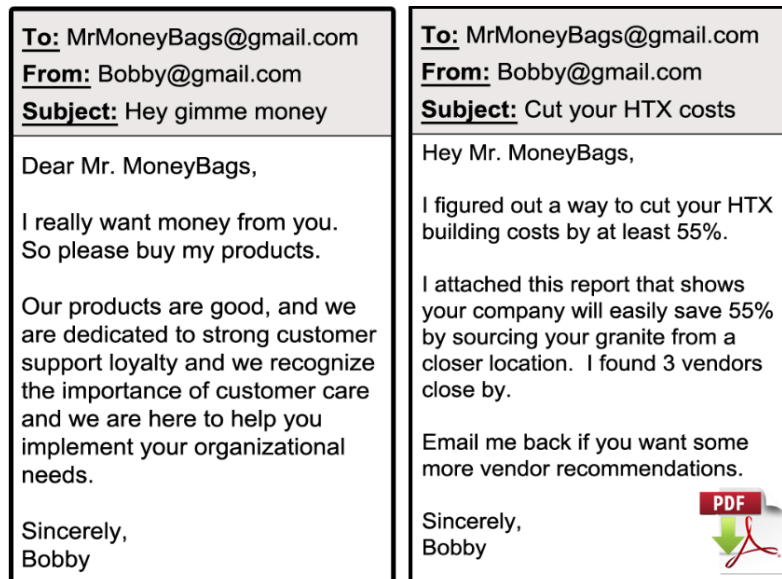


Figure 4. Example of poorly written content (left) VS copywritten one (right) (Copywriting Course, 2020)

If a fundraiser wishes to keep backers interested, the content marketing publications should be done regularly. “After the launch, updating and communicating with your supporters to keep them excited throughout the campaign becomes the main task” (Kivikangas, 2014, p. 12).

Being constant with publications is important because people who did not support initially may change their mind along the life of the campaign. In here, marketers must convey the company’s message in accordance with the potential behavioral finance the target group has.

2.11 Theoretical framework application

When researching the theory, I selected the financial principles that I believe to be most useful for the completion of this thesis. Each project task is directly covered by its respective subchapters. Therefore, when describing the project, the reader will be able to see a clear progression line. This means that he/she can jump back and forth between the theoretical and the empirical part of this thesis without losing the topic thread. Table 4 shows what subchapters of the theory cover each project phase.

Table 4. Correlation between theoretical and empirical part of this thesis

Project implementation phase	Theoretical framework
Pre-campaign stage	Subchapters 2.1 to 2.5
During-campaign stage	Subchapters 2.4 to 2.9
Post-campaign stage	Subchapter 2.10

Due shortage of time, I did not include company valuation theory in this framework. The original intention was to make a startup valuation for Fyggex. In the end, that task was not assigned to me and therefore I decided to not include it in this work. Furthermore, leaving it out made sense to me because a valuation is necessary when fundraising equity capital. However, the topic of this thesis involves reward crowdfunding, where corporate equity is not offered to supporters.

In conclusion, the theoretical framework in this thesis was carefully developed and written. The literature and references I used when building it, constitute leading sources of information in within the finance and investment fields, both academically and professionally. All parts of the framework were utilized when designing the campaign.

3 Implementation of the reward crowdfunding campaign.

In this chapter I will explain with a bigger degree of detail, what were the actions I took when designing the campaign and why. Similarly, I will explain how the campaign aligns with the company's short-term financial goals and falls into the framework described in the previous chapter of this thesis.

Acquiring funds can be a long and comprehensive process. Furthermore, the tactics differ when using different types of capital raising methods. Since the commission specified that the company wanted to utilize reward crowdfunding, I will break down the process into smaller steps allocated along the project timeline. Noteworthy that at the time of writing this thesis, my commitment with Fyggex' has ended and the campaign has already been launched. Therefore, in the following subchapters I will refer to it in past tense.

3.1 Background of the project

Fyggex Oy is a Finnish startup that offers transparent journalism in the field of cryptocurrency and blockchain technology. The main product is its online community. Fyggex plans to launch in 2021 a subscription-based web platform where users will have access to crypto news and featured expert interviews.

Paying members will have the opportunity to post and share comments and other content. In a sense, the community resembles a social media platform, like Facebook, LinkedIn, or Twitter, with the difference that it is crypto and blockchain related. After paying the membership fee, people will create a profile to engage with other users. This profile will grant access to all the Fyggex news and latest publications.

The business model aims to be scalable and automatic. Once the platform is launched, new paying members will be able to join through a webstore. There will be different types of memberships according to the price range, and depending on which, users will have access to different publications.

At this stage, the startup has its community product in development phase, meaning that it has not being released to the public yet. In order to do so, the firm requires capital, for which it started to draft in summer 2020 a fundraising strategy. That Autumn Fyggex opened a vacancy as remote thesis worker to create an online reward crowdfunding campaign. After a long selection process that consisted in two interviews and an assignment, I got selected and started in November 2020.

The company's fundraising activities had three pivot stages: a pre-campaign, campaign design and post-campaign. Even though my duties stopped before the end of the post-campaign phase, I still include it in this thesis because it is an important part of it.

Noteworthy that I, the student, was not a decision maker in the firm. My duties extended to assists with building and designing the campaign in a timely manner, with good research ethics, transparent approach, and corporate secrecy. All of which is done in within an academic framework under the title of thesis worker as *finance research analyst intern*. At all times, I was supervised by the co-founder and CFO, Kari Sirjä and Kari Salo, respectively. Both of them were my immediate supervisors, decision makers and responsible persons behind any of my commissioned assignments during my time in Fyggex.

3.2 Methodology

This is a product-based thesis and therefore, the main methods I followed are those of a process-based approach. My actions have been supported by desk and qualitative research.

3.2.1 Desk Research

To build a strong foundation for the reward crowdfunding campaign, I conducted intensive desk research during mostly the whole length of the project. This activity was carried mainly through online documentation. Nevertheless, I also utilized some of the finance bibliography used during my studies.

The majority of sources were found in specialized websites, such as Investopedia and Indiegogo. Investopedia is considered "one of the best-known sources of financial information on the internet" (Majaski, 2020), and it constitutes an important reference in this paper. What comes to Indiegogo's website, I put special attention to Loupedeck's campaign, which is a Finnish startup that succeed when raising capital with reward crowdfunding.

During my desk research, I also used insights and learnings from all my Haaga-Helia courses. The following list displays some of the courses that helped me to complete the commissioned project for Fyggex:

- 1) Fundamentals of Corporate Finance
- 2) International Finance

- 3) Investment management
- 4) Capital budgeting and investing planning.
- 5) Financial accounting
- 6) Operational budgeting
- 7) Pricing and revenue management
- 8) Digital marketing

Literature-wise, I must remark four relevant books that influenced me greatly and gave me a solid finance backbone upon which build this work. Those books are as listed below:

- 1) B, DeMarzo & J, Harford. 2017. Corporate finance. 4th edition.
- 2) T, Koller, M, Goedhart, D, Wessels & M, Cichello. 2015. Valuation. 6th edition.
- 3) P, Mladjenovic. 2016. Stock Investing for dummies. 5th edition.
- 4) R, Schmidgall, 2006. Hospitality Industry Managerial Accounting. 6th edition.

3.2.2 Qualitative research. Process and results.

As introduced in subchapter 1.3, I conducted four semi-structure interviews to industry experts.

The interviews had two purposes. First, get insights for the crowdfunding campaign. Second, to create publishable content for the Fyggex community that would help the company to convey its values of transparency. Because of this, the questions were formulated differently or asked in modified order to each individual, following an organic and relaxed structure. Nonetheless, the questions are divided into 4 categories, as shown in the following list:

- 1) Interviewee's background. How he/she entered the crypto industry.
- 2) Crypto related questions & opinions related to the events at that moment.
- 3) Advice for newcomers into the crypto industry.
- 4) Insights for capital raising/crowdfunding.

Categories 1 and 2 aim to set the context that makes the reader receptive for the technicalities of the topic. In the other hand, categories 3 and 4 are intended to find useful insights to be utilized when designing the campaign.

The interviews were done online and lasted an average of an hour. The software I utilized was Google Meets or Zoom, according to the guest's preferences. Similarly, I recorded and transcribed our conversations with Otter.ai, which is an AI tool that captures speech and writes it down automatically. Interviewees were informed of this procedure before the start of the interview. Once our meeting was over, I would edit the interview into a *readable* format, share it with the interviewee for its approval and then pass it to the company's

web admin. Appendix 1 includes a list of the conducted interviews in chronological order, altogether with accessible hyperlinks to their online publications.

Regarding this research, all interviews suggested caution when making tokenization of equity. Regulations are not that mature yet, and the legal framework behind ICOs and tokenization of equity is not entirely clear. Table 5 collects the answers given to question 4 in this matter.

Table 5. Results of question 4. Relevant answer given by 3 interviewees.

Interviewee	Reply to question 4. Insights for capital raising/crowdfunding
Subject 2. David Gerard	“American regulations on ICOs look at these as securities. So, in terms of doing a crowdfunding, the US regulations have loosened up a bit to allow this to happen”
Subject 3. James J. Angel	“Crypto is easy to trade and [...] this causes regulators to have nightmares. One of the reasons why raising capital is so regulated is because of the widespread history of fraud.”
Subject 4. Heidi Hurskainen	“It is crucial to study how the token is built and clear out the legal perspective.”

According to the results gathered from the insights of our interviews, and taking into consideration the company’s resources and wishes, I evaluated the level of feasibility for each capital raising method described so far. Table 6 shows in a color code this classification, where red links with something the company should not do and orange and green with the activities that Fyggex ought to try first.

Table 6. Level of feasibility for each capital raising activity.

Debt	Poor
Equity	Good
Reward crowdfunding	Great
Grant application	Great
ICO	Poor

3.3 Project description

Campaign goals

There are two main objectives that the company aims to achieve with this campaign. First and obvious, the startup seeks funds to finish product development. This will enable the business to start operations and generate revenue, hence, improving its liquidity and

working capital. The second is to gather qualitative and quantitative data for future fundraising activities. This will help the company to analyze what was done right and what went wrong so future campaigns can be corrected. The estimation launch date of the campaign is scheduled for February 2021, as projected in the project timeline shown in Figure 5.

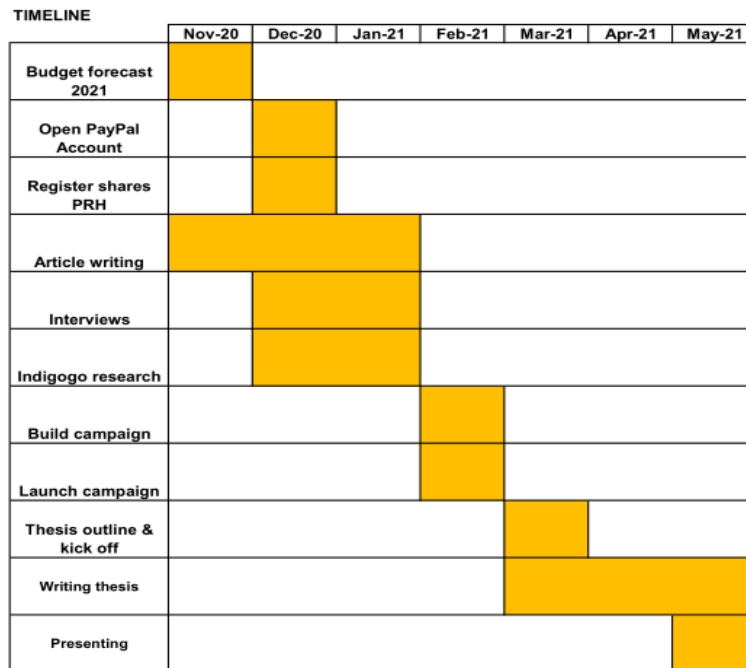


Figure 5. Project timeline drafted in November 2020 using a Gantt chart.

I decided to include the first drafted timeline unchanged because it does display accurately the fundamental tasks needed for the completion of this thesis. In addition, I respected it at all times, finishing each assignment in the respective due date. Nevertheless, and for the sake of clarity, I divided the tasks in three subgroups that help the reader to keep track of the necessary actions I took to build and design this campaign in Indiegogo. Table 7 displays the three subgroups aforementioned in subchapter 3.1, together with their specific main assignments.

Table 7. Stages for the creation of the reward campaign for Fyggex Oy.

Pre-Campaign	Design & launch	Post-Campaign
SWOT analysis	PayPal account creation	Campaign promotion
Building corporate brand	Indiegogo account creation	Collection of data
Budgeting	Campaign design creation	
Pre-fundraising	Multimedia designs	
Interviews and research		

Notice that some of these tasks are not displayed in Figure 5 with the same name. That is because I decided to break the main tasks in sub-assignments after the creation of the project timeline. For example, *Indiegogo account creation, campaign and multimedia designs* listed in Table 7, correspond with the task of *Build campaign* in the timeline displayed in Figure 5. Since the tasks are engulfed one in another and have the same meaning, there is no need to edit the Gantt chart.

3.3.1 Pre-campaign stage

SWOT analysis

One of the first things I did when I started at Fyggex was to run a preliminary evaluation of the company. This assessment would give me a general idea of how consolidated the startup was and therefore would act as starting point for my work.

For this appraisal I ran a SWOT analysis because it is a reliable backbone on which to base a fundraising plan, just as described in chapter 2.9. The results I got were those expected from a startup: existing weaknesses were appalling initially but compensated at a reasonable extent with the characteristic strengths that a young business has.

Table 8 illustrates graphically the preliminary SWOT analysis done in November 2020.

Table 8. Preliminary SWOT analysis of Fyggex as November 2020.

Strengths	Weaknesses
Little existing operational costs	Not enough resources
Existing network	Too much workload on existing staff
Good traction of publications in website	Unknown brand
Great investment opportunity	Company product not finished
Opportunities	Threats
Trendy field	Extremely fast paced changing industry
Possibility to gain rapidly subscribers	Competitors get bigger market share

Remarkably, the *opportunities* were very attractive. Cryptocurrency and blockchain technology are trending topics at the moment. Colloquially speaking, they are *hot* fields in which many seek to invest. This acts as an additional value for the startup, reinforcing the firm's strengths. Furthermore, the company is at an early stage, which can attract potential angel investors and venture capitalists in a near future. If we add this to the fact that the crypto industry is living an upswing, the company's forthcoming days have potential for success.

Nevertheless, an taking into consideration the board wishes and the previous SWOT, the feasible options for capital raising at the moment of the commissioning are as listed below:

- 1) Grant applications
- 2) Equity investment
- 3) Reward crowdfunding

Building corporate brand

A company's brand is the perception that others have of the firm, with the information that is available to them in that moment. Bearing this in mind, during the pre-campaign my duties included assignments intended to reinforce the corporate image. The following list displays the tasks I did in this department:

- 1) Writing 4 articles.
- 2) Conducting 4 interviews to crypto and blockchain experts.
- 3) Managing the LinkedIn company's page to share the firm's publications.

While my first two articles were related to financial scams and frauds, the last two covered cryptocurrency latest news and events. On the other hand, interviews had two inherent purposes: to collect tips and advice regarding fundraising and to enhance the transparency of the company. Appendix 1 collects all the published content written by me altogether with the hyperlinks to the company's website.

Contributions were written following copywriting common practices, just as covered in subchapter 2.10. Similarly, all of them included a CTA, or Call-To-Action, encouraging readers to pre-register to the Fyggex platform. Figure 6 corresponds with the CTA that readers see at the end of each publication.



Figure 6. Call-To-Action included in every publication at Fyggex.com.

All the articles and interviews written by me were published between November 2020 and February 2021. However, and due company's policy, my name is not included in the publications. Instead, *Editor* is the tag used under the *author* field.

Another of my duties in the department of marketing and branding was to network in social media. In fact, I acted as temporal manager for the LinkedIn page of Fyggex. When fundraising, it is crucial to have a follower base that helps the firm to gain exposure. For this purpose, I shared from 2 to 5 times a week company's publications in LinkedIn, as shown in Figure 7.

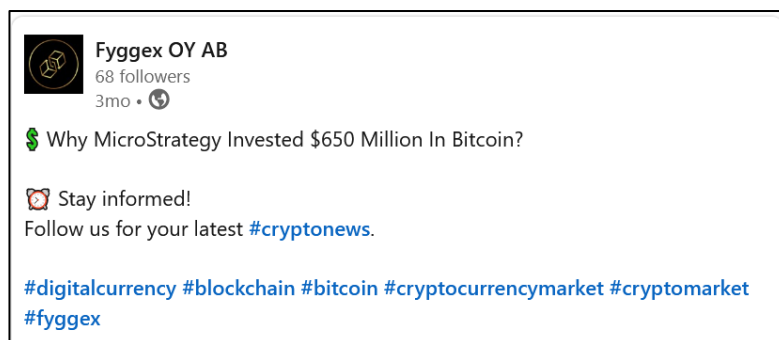


Figure 7. LinkedIn post of one of Fyggex publications.

These strategies paved the road for the forthcoming campaign and were aligned with the tactics depicted in chapter 2.10, where I explained the importance of having a strong online network.

Budgeting

This part aims to set a financial goal for the campaign. Due corporate privacy, I am only disclosing in this work the numbers published in Indiegogo. This budget is oversimplified, so the reader can get a general understanding of the cost structure of the startup. However, during the development of the project, I delivered a more comprehensive yearly budget, all together with a short revenue pricing plan.

Following subchapter 2.6, I will divide operational costs between variable and fixed. Table 9 displays such division.

Table 9. Preliminary variable and fixed costs of Fyggex for 2021.

Variable costs		Fixed costs
Paid online ads	Marketing related	Email marketing & web services
Graphic designs		Fixed salaries
Shipping costs		Equipment compensation
Variable salaries (hourly rate based)		Insurances
		Administration
		R&D & maintenance
		Rent

For the sake of simplicity, I will categorize the expenses in the subgroups displayed in the boxes in Table 9. I researched service expenditure for each particular cost and made an annual accrual. Table 10 shows the operational budget drafted for the year 2021, with the figures made public in Indiegogo.

Table 10. 2021 operational budget presented for the crowdfunding campaign.

Revenue to BEP	71626 €	100 %
Variable costs	14325 €	20 %
Contribution Margin	57300 €	80 %
Fixed costs		
Salaries	28650 €	40 %
Other OPEX	14198 €	20 %
Marketing	7290 €	10 %
Financial costs	7163 €	10 %
Profit/loss	0 €	0 %

This budget aims to show what is the BEP or *Break-even-point* for the year 2021, so the company covers its expenditure with its income from operations. Note that the salaries include the cost of employment of a part-time IT employee. The rest of operations are being carried with freelance work and hourly rate employment. Hence, the lower figures for the year.

To build the budget, I worked my way from the bottom of the table upwards. First, I categorized the expenditure into variable and fixed costs. Once I had the latter, I knew that the

minimum contribution margin to BEP matched the fixed costs of the company. From there, it was easy to calculate revenue to BEP using the following formula:

$$Rev_{BEP} = VC + CM = VC + FC$$

Where:

Rev_{BEP} = Revenue at Break-Even-Point

VC = Variable Costs

CM = Contribution Margin

FC = Fixed Costs

To clarify, contribution margin, or CM, “is the difference between the selling price and the variable costs per unit” (Schmidgall, 2006, p. 323). In other words, it indicates the amount available to cover fixed costs, or FC. A profitable company has a CM greater than its FC, which means that to break even CM must be equal to FC.

Variable costs increase according to the sales volume of the company. On the other hand, fixed costs remain equal regardless of it. This is the reason why I considered appropriate to utilize the total of fixed costs as Fyggex crowdfunding goal. If Fyggex could raise capital to cover its minimum FC and use its existing working capital to cover the minimum variable costs, then the company would be in business. Therefore, if we add all fixed costs, we get the financial fundraising target, as shown in Table 11.

Table 11. Reward crowdfunding target

Fixed costs	
Salaries	28 650 €
Other Opex	14 198 €
Marketing	7 290 €
Financial costs	7 163 €
TOTAL	57 300 €

The company generates revenue by selling online monthly subscriptions. Pricing is done dynamically according to two subscription categories: basic and expert. The difference in price links with the number of features and content that the platform users have access to. Members paying the *expert* plan have available more content than those with *basic* one. Table 12 shows the company’s pricing strategy together with the expected user ratio and the number of customers needed for BEP.

Table 12. Designed pricing for the company's product for the year 2021 to reach BEP.

Subscription type	Price	% members	N. of members BEP
Basic	€ 8,99	70%	5577
Expert	€ 14,99	30%	1433
TOTAL			7011

These figures are given by the company at the moment of the commissioning. According to the data, the company will need 7011 clients to BEP.

Pre-fundraising

Crowdfunding can be a costly activity. However, businesses can decide how much money they want to allocate to it. Put simply, there is not a minimum budget that a startup needs to meet in order to design and launch a campaign in Indiegogo. Nevertheless, costs will add up according to the firm's marketing strategy.

If a company has the resources to implement a more *aggressive* promotional plan, it should do so. Of course, this will come at the expense of greater marketing costs in the form of paid ads and influencer marketing fees.

In order to have enough working capital to meet these expenses, Fyggex did two capital raising activities during November 2020: a seed funding round to increase equity, and a grant application.

In the seed funding round, Fyggex emitted new company shares to private investors. To respect company privacy and contractual terms, I cannot disclose the share price in this work. Nevertheless, my role as thesis worker was to help the CFO with administrative tasks when registering the new shares in the *Finnish Patent and Registration Office*. In December 2020, Fyggex submitted the form 13S to the pertinent authorities. This is necessary to record the new share emission and allocate it into not restrictive equity funds.

Similarly, I had an active role when submitting the application for public funding. The grant was Nordforsk, Nordic Council of Ministers: "Feasibility funding to develop the next generation of Nordic Scalars programs". My part was supervising the copywriting aspect of the submitted text and supporting the CEO and CFO in the process itself.

These two methods of raising capital aligned with the startup wishes to not acquire corporate debt at this stage. Hence, taking into consideration the theory described in subchapter 2.3, the Weighted Average Cost of Capital, or WACC, is similar to the cost of equity of the company. This is clearly seen by completing the already explained formula:

$$r_{wacc} = \frac{1}{1+0} r_e + \frac{0}{1+0} r_d * (1 - r_c)$$

Resulting on

$$r_{wacc} = r_e$$

Interviews and research

Crowdfunding requires of a lot of previous planification. The idea behind is simple, the more prepare a company is when designing a campaign, the better possibilities of success it has. My tasks in this department included desk research and the aforementioned semi-structured interviews.

Part of the research process was to seek how fundraising activities should be implemented and which platform should be used. One of the reasons why Fyggex chose reward crowdfunding through Indiegogo had to do with the simpler regulatory framework which covers this activity in Finland. As explained in subchapter 2.8, campaign backers are regarded as consumers and not investors. This simplifies the process from a legal point of view.

Lastly, Fyggex considered tokenization of equity and ICOs for capital raising. The reason is because the company has technical knowledge on how to create its own cryptocurrency and digital tokens. However, research suggested caution with this potential method. All of our interviewees concurred that there can be legal regulation problems when it comes to ICOs, which can pose a risk itself. Hence, the company discarded the idea of launching its own ICO and moved it forward in its business agenda.

3.3.2 Campaign design

PayPal account

Even though campaign backers deposit funds directly in the company's bank account, Fyggex decided to open a corporate PayPal account. The idea was to have the right systems in place for when the Fyggex community was ready. Future users could pay their membership fees utilizing PayPal if they so desired.

I created the company's PayPal account under direct supervision of the company's CFO. The account was submitted internally for approval and further completion to the pertinent department in December 2020.

Creation of visuals

Multimedia content is crucial when driving engagement. Therefore, one of the startup's pivot pieces of content for the campaign was a cover marketing video and pictures. I was not in charge or involved in the making of this type of multimedia content. The company commissioned externally to a professional graphic designer its creation. Nevertheless, they were important part of the public final result of the campaign, and therefore, included in this thesis.

Indiegogo account

In February 2021, I registered the company in Indiegogo and started to design the reward crowdfunding campaign under direct supervision of Fyggex CFO. In order to *humanize* the corporate brand, I utilized Kari Salo's public persona as company contact.

Indiegogo's backend is very intuitive. It is presented as a dashboard which resembles that of a social media platform, just as shown in Figure 8. In that dashboard, there are suggested steps for building a strong campaign. Thus, I followed the recommended procedure given by the platform.

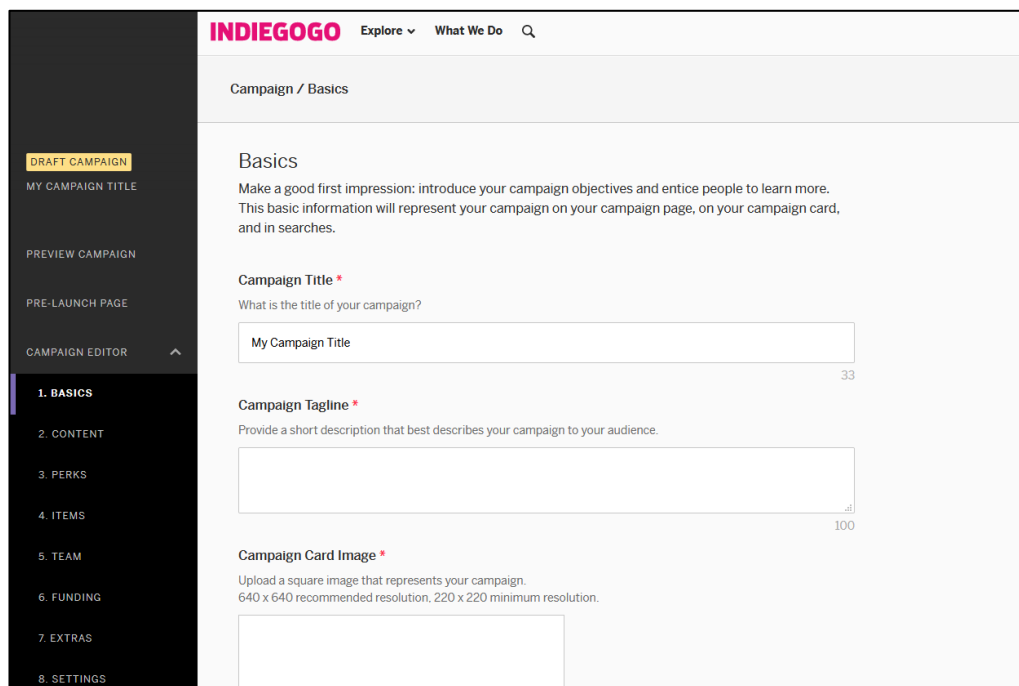


Figure 8. Indiegogo's campaign dashboard.

From that point on-wards, I completed each field with the required information. The content tag included the commissioned visuals and a transparent explanation of the company's project and product. This text contained a value proposition and detailed information of what the company intended to do with the funds raised through the campaign. Put simply, this script acted as the firm's business pitch. Appendix 2 shows the text I drafted for Fyggex reward crowdfunding campaign.

The campaign financial goal, or the minimum amount of funds the startup wished to raise, was determined by the budget estimation during the pre-campaign stage, as reported in subchapter 3.2.1.

The campaign rewards or *perks* were designed as listed below:

- 1) Early bird. Year subscription: 75€
- 2) Subscription + company coffee cup: 200€
- 3) Meet the founders online: 5000€

This means that supporters that contributed with those amounts would receive in exchange one of those *perks*.

Indiegogo has two funding types: flexible and fixed. Flexible funding allows the firm to keep what is raised regardless of the financial goal. On the other hand, fixed has an *all-or-nothing* approach. If the minimum amount of money is not met, the company must make refunds to backers. Fyggex uses a flexible type of funding in its campaign.

Lastly, I included in the design a FAQ to help backers with the most common inquiries that I could come up with. To design these questions, I relied on the behavioral finance theory explained in subchapter 2.7, putting myself in the supporter shoes and trying to predict what I would like to have answered in advance. Appendix 3 collects the list of questions and answers contained in the campaign's FAQ.

The commissioned work was ready to publish by the fourth week of February. It was set to run for 60 days. Finally, the campaign was publicly launched on February 26th of 2021 with the approval of the CEO. The final look that it had online, is shown in Figure 9.



Figure 9. Fyggex reward crowdfunding campaign in Indiegogo launched in February 2021.

3.3.3 Post-campaign stage

In previous subchapters I stated that my commitment with Fyggex ended after the release of the campaign. Nevertheless, I consider this stage crucial when fundraising and it deserves its own subchapter in this thesis.

Campaign promotion

Influencer marketing had a big weight in the firm's marketing plan. The company hired Social Media influencers to gain a greater online exposure utilizing their follower base. Table 13 shows the preliminary influencer marketing strategy to promote the Indiegogo campaign.

Table 13. Preliminary influencer marketing strategy for the campaign drafted in Feb 2021.

Tactic	When	Duration	What	Where
Video	Week 2	60 seconds	2 videos	YouTube
Social Media	Week 1	60 days	Posts	All, alternating
Influencer 1	Week 1	1 day	Posts	IG
Influencer 2	Week 2	1 day	Posts	Facebook
Influencer 3	Week 3	4 days	Posts	Forums
Influencer 4	Week 4	2 days	Posts	LinkedIn
Influencer 5	Week 5	1 day	Posts	Forums

Similarly, the campaign link was shared and promoted through the individual Social Media accounts of each staff member. Appendix 4 corresponds with a screenshot of the LinkedIn post I shared with my network of 500+ followers, contributing to the online exposure of the company's activities.

Tracking of data

Indiegogo platform tracks and collects data from campaign supporters. Some of the collected metrics are the demographic information of the backers and the inbound sources by which they got to know about the campaign. Similarly, the dashboard offers the possibility to add the company's Google analytics ID, resource I explained to Fyggex crew members before my departure.

When the campaign ends, Fyggex marketing team should analyze this data in detail because it can be used to optimize future fundraising activities. For example, if data shows that many backers are from Norway and they discovered the campaign through Twitter, it will make sense to focus on that market and channel during future capital raising activities.

4 Discussion of results. Evaluation

If we take into consideration the company's resources at the moment of the commissioning and the student's fundraising experience, I am content and pleased with the development of this project.

Nevertheless, the reward crowdfunding campaign did not deliver the results expected. In fact, the financial goal was not met. At this point, it is wise to analyze what was done right and what can be improved for future capital raising activities of this nature.

The good

Taking the step itself. As I mentioned across several chapters, raising capital can be a lengthy process. Therefore, the sooner a company starts, the better. In my opinion, Fyggex did this right. Many startups get stuck in an everlasting loop of research during the *planification* phase. To be prepared is important, but too much research may mean that the campaign never kicks off. I did not see this being an issue during this project. Similarly, Fyggex has shown good transparency and has set a reasonable financial target for a startup to achieve with reward crowdfunding.

The must *improve* for the future.

The company launched this campaign to ask for capital so it could finish its product, meaning, its online community platform. In my opinion, it is crucial that in the future, the company has a product first and then it starts a fundraising campaign. In this way, backers could see what they are supporting in advance, which means they would have a tangible incentive to endow the project and contribute financially to it. Similarly, the perks could be more attractive, perhaps some sort of merchandize or discount in a partner's service.

Lastly, I believe the company marketing efforts should be more integrated with the crowdfunding strategy itself. As I have stated numerous times, marketing is crucial when raising capital. Therefore, to have a strategy before, during and after the crowdfunding campaign that tackles all digital channels, should be the main focus for the future.

5 Discussion and self-evaluation

My interest towards crowdfunding began when I became a private sole trader and investor. I started then to consider opening and building my own company, for which I would need to raise capital.

I knew about traditional methods, such as equity investment rounds or debt acquisition. However, I had never done a reward crowdfunding campaign online. This is the reason why this part is very important at a personal level.

In this chapter I am going to address the thesis process itself. The aim is to provide my personal insights towards its development and my learning outcomes.

5.1 The thesis process.

Doing an Indiegogo campaign for Fyggex was very interesting and fruitful, both for my academic and professional portfolio. I am very proud to present this commissioned work as my thesis. Nevertheless, I experienced a set of drawbacks that made the project completion more difficult.

Integrating the thesis assignments with my daily job was a challenge itself. The favorable part is that, because of COVID-19, I could take care of all my duties remotely. However, it was at the expense of staring at a computer screen far too many hours. I found out that making an online working calendar and sticking to it strictly, was key to accomplish this project in a timely manner. Similarly, allocating screen-off time proved to be invaluable as well.

All things considered; the greatest challenge was to write the thesis itself. I started to do it at the same time I began the commissioned project. Nevertheless, my motivation level suffered at times. Often, I could not gather the required strength to just write, perhaps due to exhaustion from my daily job and lack of outdoors activity due to COVID.

A good way for me to cope with this worrying difficulty was finding a thesis *buddy*. This person was a student facing a similar situation as mine: an overwhelming amount of academic work and a declining motivation to do it. Hence, we partnered up and encouraged each other during the writing process. Not only our motivation went up, but we also nurtured our teamwork and leading skills.

What comes to the communication with my thesis supervisor, it was great and clear. However, I was often confused with the thesis courses and the prior assignments included in our academic curriculum. This was not a big problem itself because I would always ask and through multiple channels for the info I needed.

Lastly, I am very content with the project timeline. It really made sense to structure it like that but moreover, was very positive to see that I could stick to it, so the campaign could be launched at the estimated date and my thesis completed in within the academical year.

In conclusion, the process of the thesis went well, but I experienced some challenges that affected my motivation. I overcame them whether by using digital tools, implementing self-discipline or by collaborative communication with other students.

5.2 Learning outcomes

My main motivator was the learning outcome so I could utilize it in my personal life. When I started this thesis, I had a clear goal: I wanted it to be a real business use-case. In that sense, this project gave me the extra self-confidence that reinforced my finance background. As a result, I became a more complete and more capable employee at my current work.

Noteworthy, I learned extensively about the cryptocurrency sector and blockchain technology. In fact, I understand better how digital assets can fit my own investment portfolio, turning the unknown into opportunity. My interest for this area grew considerably, to the point that I am considering moving my career towards the cryptocurrency industry.

Lastly, my network of relevant connections increased as well. It fascinates me seeing the rising attention crypto is bringing to the table. I had the luck to collaborate, interview and work alongside incredible individuals that I would not have meet if it were not for this project. I will continue to educate myself in this area, so I am more prepared next time I could be part of corporate capital raising activities. Nevertheless, this thesis was a great starting point.

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Appendices

Appendix 1. List of contributions and publications made to Fyggex.

Content	Type of contribution	Publication date	Link
5 Famous Forex Trading Techniques Used by Scamsters	Article	6 th November 2020	HERE
Wincapita: A Scam We Should Never Forget	Article	13 th November 2020	HERE
Lebanon to Launch Digital Currency In 2021: Why?	Article	26 th November 2020	HERE
Why MicroStrategy Invested \$650 Million In Bitcoin?	Article	21 st January 2021	HERE
Fyggex VIP Insiders Interview Series 12: Tey El-Rjula. Crypto Pioneer, 4x TEDx Speaker, Writer & Award Winner Tech Entrepreneur	Interview	11 th December 2020	HERE
Fyggex VIP Insiders Interview Series 16: David Gerard. Crypto Journalist and Published Author.	Interview	5 th January 2021	HERE
Fyggex VIP Insiders Interview Series 17: James J. Angel. Associate Professor at Georgetown University's McDonough School of Business.	Interview	11 th of January 2021	HERE
Fyggex VIP Insiders Interview Series 20: Heidi Hurskainen. CEO, Coinmotion Oy	Interview	8 th of February 2021	HERE

Appendix 2. Indiegogo campaign text for Fyggex as 26.02.2021.

About US

We are Fyggex, global virtual currency and blockchain community, alerting of risks and opportunities with emerging technology around decentralized finance. Registered in Finland, we operate online with (7) nationalities from (3) continents to provide you insights that matter.

Our Value Proposition

We give power back to the people. The idea behind our longer name, Fyggexchange, is to enable community members to create, share and get the latest insights from collective intelligence in an understandable fashion. We provide opportunity and risk alerts of relevance to the blockchain, digital, and cryptocurrency audience.

We aim to spread out blockchain & cryptocurrency-related global insights locally from ordinary people, experts, traders, investors, techies, and industry insiders in a safe environment.

As giant companies like Tesla, PayPal, Square and MicroStrategy have shown, cryptocurrencies have already changed the world as we know it. Currently, there is plenty of scattered information about these private and Government-backed digital forms of money and assets.

Our goal is to educate our users by offering them a platform to discover and learn about risks and opportunities regarding Central Bank Digital Currencies, Decentralized finance, and other blockchain-based assets.

Our campaign

We aspire to raise enough capital to get our business model started. We have created a platform that enables people to get understandable knowledge that their traditional banks would not offer. To create a legit and reliable presence, we have spent months covering the latest blockchain and crypto news. To stay grounded and real, we ask and share expert opinions. We have interviewed leading experts on the field, from blockchain experts to CEOs of digital exchanges.

Your reach

As a Contributor, you have the power to help us battle crypto fraudsters. We are a progressive and transparent community. You can make the difference to thousands of people's lives. By enabling them to see before they jump when the opportunities and risks emerge.

What We Need

We need capital to employ a part-time IT support and community manager to serve you even better. If the campaign becomes oversubscribed, it will enable us to scale globally. We would hire fraud investigators, quality controllers and quality reporters.

The bare minimum we need is 57,000€ (EUR). We already have our platform running, yet we need more investigative reporters and IT professionals for scalability purposes.

Expected part-time Salaries 28 650,24 € (40 %)

Yearly operating expenses: 21 487,68 € (30 %)

Financial costs: 7 162,56 € (10 %)

Total: 57 300,48 €

What You Get

You can help us in our mission! We have three (3) packages available for you to choose from:

- Discounted package for one (1) year subscription to our platform.
- The same as offering one + your own Fyggex.com Coffee cup. Because you can!
- Exclusive (1) hour meeting with the original co-founders. You get to discuss with them about emerging trends and decentralized finance.

The Impact

Our greatest feature as a company is our capability to connect key players around the globe, regardless of their formal or informal positions. Our peer-to-peer platform users and investors can have access to what CEOs, experts and early adopters have to say. So that you do not have to make the same mistakes that others have already made. We are a platform that enables latest insights and education to its stakeholders.

Regarding the future, we aim to launch our own Fyggexchange token. Community members will be the first ones to know.

Risks & Challenges

- Time delay: The launch of our community may be delayed.
Mitigation: Your subscription will be prolonged with no extra charge.

- Funding target not met.
Mitigation: We will continue bootstrapping as our mission is noble.
- Cybersecurity
Mitigation: We run frequent security audits as our standard procedure.

Other Ways You Can Help

We appreciate your willingness to contribute and help us with our mission.

If you do not have financial possibility to back us, you can still help by:

Share this campaign with your social media connections.

Follow us at www.fyggex.com and share our articles.

Share with us your own insights and alerts.

Appendix 3. FAQ of Fyggex reward crowdfunding campaign in Indiegogo

What do you sell?

We sell memberships in our Fyggex platform, where internet users can find quality crypto content that educates them in the field of digital money.

How do you make money?

Our revenue streams are our premium memberships and website advertising platform for other companies in the field.

What is in for me?

As a backer, you will have unlimited access to our community once it launches.

Where is Fyggex from? Where are you based?

Our audience comes from all around the world. We currently serve people from three continents and plan to expand as soon as possible and as far as this crowdfunding campaign allows us. Our main headquarters are located in Helsinki, Finland.

Who is behind Fyggex?

Fyggex was founded in 2016 by two Oracle executives, Kari Syrjä and Metin Asqari. As for today, our team has grown into 11 members across three continents. We decentrally operate entirely online. Our missions are to offer reliable cryptocurrency & blockchain information to keep scammers away.

Do you sell Bitcoin or cryptocurrency?

No, we are not a crypto exchange. We are an information-based peer-to-peer community. Fyggex does not offer investment or trading advice of any kind.

Do you ship worldwide?

Yes, but it needs to be addressed where you can receive it (official post office in your city/municipality).

Appendix 4. Promotion of the reward crowdfunding in own LinkedIn profile



Abel Parada Millán

Finance & Marketing clerk @Hotelway | Investor | Chef

1mo • 🌐

👋 Last Friday, I bid farewell to my colleges at [Fyggex OY AB](#) . But not before launching its [#indigogo](#) crowdfunding campaign!

If you are passionate about [#cryptocurrency](#) and [#blockchains](#) , consider backing Fyggex in Indigogo.

As for me, [Kari Syrja](#) and [Kari Salo](#), thank you for these last months 🙏. I wish Fyggex the best.

[#crowdfundingcampaign](#) [#crowdfunding](#) [#bitcoin](#) [#cryptoinvesting](#)
[#cryptocurrencytrading](#) [#cryptorevolution](#) [#cryptocurrencynews](#)



Fyggex OY AB

68 followers

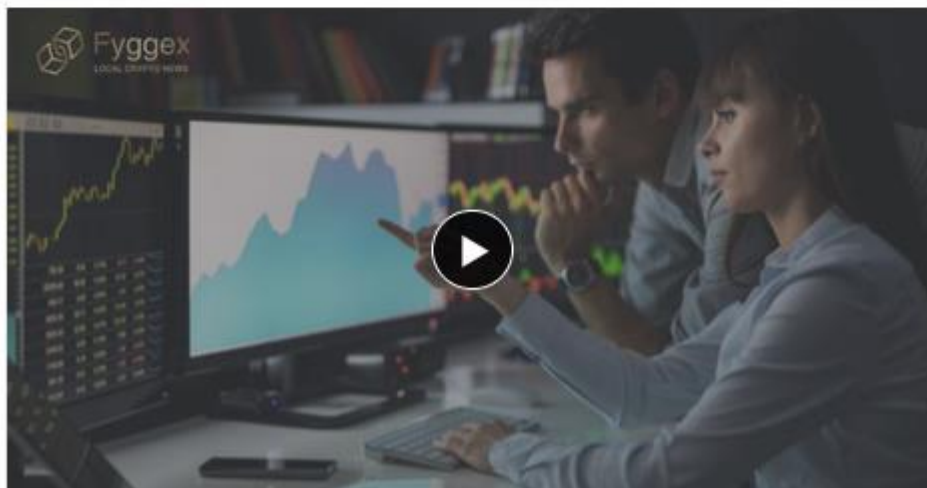
1mo • 🌐

Ka- BOOM!!! A small step for mankind, a giant leap for this startup.

We give power back to the people. The idea is to enable community members to create, share and get the latest insights about opportunities and risk within [#Blockchain](#) and decentralized finance [#DEFI](#) Check out how YOU can contribute.

Our community has now taken the first step.
You can help us to reach the sky!

https://lnkd.in/ePW__m



Fyggex fundraising.
indiegogo.com